

OPENING STATEMENT

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December 14, 1998

Joni Inman, President

Greater Metro Telecommunications Consortium

98-178

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DEC 21 1998

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

I'D LIKE TO THANK YOU CHAIRMAN KENNARD AND COMMISSIONERS FOR THE OPPORTUNITY TO BE HERE TODAY. WITH ROUGHLY 5,000 LOCAL FRANCHISING AUTHORITIES, REPRESENTING 12.5 MILLION CABLE SUBSCRIBERS EFFECTED BY THIS MERGER, IT IS CRITICAL TO HAVE THE LOCAL VOICE HEARD. MY ONLY REGRET IS THAT MORE OF MY COLLEAGUES COULD NOT BE PART OF THIS FORUM, AS WE ALL HAVE A COMMON GOAL, THAT BEING THE PROTECTION OF OUR CITIZENS' INTERESTS.

I WOULD LIKE TO ADDRESS THREE ISSUES OF CONCERN THAT I FEEL DIRECTLY IMPACT OUR CITIZENS.

- 1) THE POSSIBILITY OF CROSS-SUBSIDIZATION OF PRODUCTS OFFERED BY AT&T.
- 2) THE ACCESS TO TCI'S CABLE NETWORK BY OTHER INTERNET PROVIDERS

AND, FINALLY

- 3) THE PRESERVATION OF LOCAL AUTHORITY FOR THE PROTECTION OF PUBLIC PROPERTY AND QUICK RESPONSIVENESS AND RESOLUTION TO PUBLIC CONCERNS.

THE CROSS-SUBSIDIZATION ISSUE IS, PERHAPS, THE EASIEST TO UNDERSTAND, YET THE MOST DIFFICULT TO ADDRESS.

IT IS CLEAR THAT AT&T IS SPENDING A GREAT DEAL OF MONEY TO ACQUIRE THE TCI SYSTEM. HOW WILL AT&T RECOUP THIS INVESTMENT?

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IT IS ALSO UNDERSTOOD THAT AT&T WANTS TO GET INTO THE LOCAL PHONE MARKETS. HOW CAN THIS OCCUR IN A COMPETITIVELY PRICED MANNER? ONE POSSIBILITY IN BOTH SCENARIOS COULD BE THROUGH INCREASED CABLE RATES.

REGULATION OF ALL BUT BASIC CABLE RATES GOES AWAY IN APRIL. THIS OPENS THE DOOR FOR AT&T TO INCREASE INDIVIDUAL CABLE RATES IN ORDER TO USE THE REVENUE TO SUBSIDIZE BELOW MARKET RATES ON PHONE SERVICE, THUS ALLOWING AT&T TO BREAK INTO THE LOCAL MARKETS USING THE EXTRA REVENUE FROM THE CABLE SIDE.

TCI REPRESENTATIVES HAVE SAID, "WHY WOULD WE DO THAT? WE'D LOSE CABLE MARKET SHARE." BUT WHEN WE HAVE A PARENT COMPANY OFFERING MANY DIFFERENT SERVICES IT'S THE "OVERALL" MARKET SHARE THAT MATTERS.

IMAGINE THIS DEAL IF YOU WILL:

UNDER OUR CURRENT SYSTEM A CONSUMER PAYS \$40 PER MONTH FOR TCI CABLE, \$20 PER MONTH FOR US WEST TELEPHONE SERVICE, \$20 PER MONTH TO AMERICA ONLINE FOR INTERNET SERVICES, AND \$20 PER MONTH FOR LONG DISTANCE SERVICE - OR \$100/MONTH IN TOTAL.

UNDER THE NEWLY MERGED COMPANY, AT&T RAISES RATES BY \$20 FOR MONTHLY CABLE. (NOW IT'S \$60/MONTH FOR CABLE, OR A TOTAL OF \$120/MONTH FOR ALL INDIVIDUAL SERVICES.)

THE CONSUMER HAS THE CHOICE TO CONTINUE PAYING FOR THESE SERVICES INDIVIDUALLY BY CHOOSING INDEPENDENT PROVIDERS OR YOU CAN SIGN UP FOR A PACKAGE DEAL, WITH ALL SERVICES OFFERED BY AT&T FOR, SAY, \$80/MONTH.

IN EFFECT, IN THIS SCENARIO, THE EXTRA REVENUE FROM CABLE HAS ALLOWED AT&T TO OFFER BELOW MARKET RATES ON TELEPHONY AND OFFER A VERY ATTRACTIVE PACKAGE TO CONSUMERS, A PACKAGE THAT OTHER COMPANIES MIGHT NOT BE ABLE TO OFFER.

AND THE CONSUMER WHO MAY STILL CHOOSE TO PURCHASE CABLE AND

OTHER SERVICES ALA CARTE BEARS THE ADDITIONAL COST, OR HELPS TO SUBSIDIZE THE OTHER SERVICES. AT THE VERY LEAST, EVEN WITHOUT THE PACKAGE SCENARIO, AT&T COULD GET INTO THE LOCAL EXCHANGE MARKET AT BELOW MARKET RATES OFFERED ON THE BACKS OF CABLE CUSTOMERS WHO PAY INCREASED RATES.

LET ME TALK BRIEFLY ABOUT OPEN NETWORK PROVISIONS. CABLE BROADBAND SYSTEMS ARE AN IMPORTANT PART OF THE RACE FOR SPEED FOR INTERNET SERVICE PROVIDERS. MANY OF THEM HAVE ASKED THAT LOCAL FRANCHISING AUTHORITIES CONDITION OUR MERGER APPROVALS ON A REQUIREMENT THAT AT&T OFFER ACCESS TO ITS CABLE MODEM PLATFORMS TO OTHER INTERNET PROVIDERS.

THERE IS NOT MUCH DEBATE ABOUT WHETHER ACCESS TO THE SYSTEM BY OTHER PROVIDERS IS A GOOD IDEA. IT PROBABLY IS IN THE BEST INTEREST OF THE PUBLIC AND IT PROBABLY IS GOOD FOR COMPETITION. DIFFERENT JURISDICTIONS HAVE VARYING VIEWS ON WHETHER THIS IS SOMETHING THEY SHOULD COMPEL AS PART OF THE TRANSFER.

IN MARKETS WHERE THERE IS ONLY ONE CABLE PROVIDER IT COULD, IN FACT, BE ANTI-COMPETITIVE NOT TO REQUIRE IT. IT IS POSSIBLE THAT HAVING NO OPEN NETWORK POLICY COULD BE BAD FOR THE CONSUMER, CAUSING UNREASONABLY HIGH RATES FOR CUSTOMERS WHO WANT HIGHER SPEED BROADBAND ACCESS.

ON THE OTHER HAND, THE CABLE PLANT WAS A COSTLY INVESTMENT AT THE ONSET FOR TCI. ACQUIRING IT IS COSTLY FOR AT&T. PERHAPS FAIR AND OPEN ACCESS AT SOME SORT OF A REASONABLE PRICE IS THE BEST WAY TO ADDRESS THIS.

I'M NOT SURE WHAT THE ANSWER IS BUT I DO THINK THAT THIS ISSUE DESERVES MORE DEBATE AND THAT THE LOCAL FRANCHISING AUTHORITIES' CONCERNS ABOUT EFFECTIVE COMPETITION, PROTECTION OF THE PUBLIC'S INTEREST IN THIS AREA AND THE IMPACT THAT THIS COULD HAVE ON RATES NEEDS TO BE ADDRESSED AND IT NEEDS TO BE ADDRESSED AFTER MUCH MORE DIALOGUE WITH A LARGER NUMBER OF COMMUNITIES, THE FCC AND THE PROVIDERS THEMSELVES.

AND, FINALLY, LET ME ADDRESS LOCAL AUTHORITY. OUR PRIMARY CONCERNS ARE TWO-FOLD: ACCESS TO SERVICES BY ALL OUR CITIZENS AND CONTINUED ENFORCEMENT AUTHORITY OVER CUSTOMER SERVICE STANDARDS.

CABLE CUSTOMERS AND OTHER CITIZENS ARE COMFORTABLE TODAY CALLING THEIR LOCAL GOVERNMENTS WHEN THEY HAVE A PROBLEM WITH THE CABLE COMPANY. THIS CAN RANGE FROM THE VERY SERIOUS SEVERED GAS LINES TO TECHS WHO HAVE TRAMPLED TULIP GARDENS. IN ORDER TO ADDRESS SPECIFIC ISSUES IN INDIVIDUAL COMMUNITIES SOME OF OUR LOCAL FRANCHISING AUTHORITIES HAVE CUSTOMER SERVICE STANDARDS IN PLACE THAT ARE EVEN MORE STRINGENT THAN THOSE ESTABLISHED BY THE FCC.

THE MERGER OF A CABLE COMPANY AND A TELECOMMUNICATIONS COMPANY, WITH MERGED SERVICES, PRESENTS SOME NEW CHALLENGES IN THIS AREA. AT&T WILL, OF COURSE, HAVE THE ULTIMATE LEGAL AUTHORITY TO DETERMINE THE MANAGEMENT STRUCTURE AND OPERATIONAL STRUCTURE OF THE NEW PARENT COMPANY AND ITS SUBSIDIARIES. WE URGE THAT LOCAL AUTHORITY TO RESOLVE ISSUES AT THE LOCAL LEVEL NOT BE LOST IN THIS RESTRUCTURING AND THAT, AT A MINIMUM, EXISTING LEVELS OF TECHNICAL AND CUSTOMER SERVICE EMPLOYEES BE MAINTAINED.

WE URGE THAT ANY DISCUSSION ON THE DEFINITION OF "CABLE" VS

“TELECOMMUNICATIONS” SERVICES BE HELD IN A WAY THAT MAXIMIZES LOCAL AUTHORITY TO DIRECTLY PROTECT CITIZEN INTERESTS.

AND, FINALLY, WE ASK THE COMMISSIONERS AND INDUSTRY LEADERS HERE TODAY TO KEEP IN MIND THAT WHAT WE ARE REALLY LOOKING AT IS A FOR-PROFIT COMPANY, NOT A PUBLIC UTILITY, THAT WANTS TO USE PUBLIC PROPERTY, PAID FOR WITH YOUR TAX DOLLARS AND MINE, TO PROVIDE SERVICES. AS SUCH WE URGE THAT ALL SERVICES OFFERED AS THE RESULT OF USE OF THIS PUBLIC PROPERTY BE MADE AVAILABLE, AT A REASONABLE COST, TO ALL OF OUR CITIZENS.

WE WOULD OPPOSE ANY ATTEMPT TO REDLINE OUR COMMUNITIES. WE HAVE A RESPONSIBILITY TO THE CITIZENS THAT PAID FOR THIS PUBLIC PROPERTY TO ENSURE THAT WE ARE NOT ALLOWING SERVICES TO ONLY BE OFFERED IN “PROFITABLE” AREAS, THEREBY CREATING A SYSTEM OF TELECOMMUNICATIONS “HAVES” AND “HAVE NOTS.”

WITH THE PROPER PUBLIC PROTECTIONS, THE LOCAL FRANCHISING AUTHORITIES LOOK FORWARD TO THE OPPORTUNITIES THAT THIS MERGER PRESENTS.